



DEPARTMENT OF THE AIR FORCE

ARLINGTON, VA 22203-1613

MAY 10 2010

Office of the Deputy General Counsel

VIA FEDERAL EXPRESS

SAF/GCR
4040 N. Fairfax Drive
Suite 204
Arlington, VA 22203

Zerene Services, Inc.
4616 NW 97th Place
Miami, FL 33178

Re: Notice of Debarment

Dear Ladies and Gentlemen:

By letter dated February 4, 2010, the Air Force suspended Zerene Services, Inc. ("ZSI") from contracting with the United States Government, and on March 19, 2010, the Air Force initiated proceedings to debar ZSI from contracting with the United States Government. The letter provided ZSI with an opportunity to submit information and arguments in opposition to the proposed debarment. To date, ZSI has not responded to the proposed debarment notice.

Based upon the information in the administrative record in this matter, I have determined that protection of the Government's interests requires that ZSI be debarred from contracting with the United States Government. The effects of debarment are those stated in the March 19, 2010, Notice of Proposed Debarment.

Because of the egregious nature of the conduct, I find that a period of debarment longer than generally imposed under the Federal Acquisition Regulation is necessary to protect the Government's interests. This debarment is effective immediately and continues for six years and one month from February 4, 2010, the date ZSI was suspended. ZSI's debarment will terminate on March 3, 2016.

Sincerely,

STEVEN A. SHAW
Deputy General Counsel
(Contractor Responsibility)



DEPARTMENT OF THE AIR FORCE

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Office of the Deputy General Counsel

MEMORANDUM IN SUPPORT OF THE PROPOSED DEBARMENTS OF:

ZERENE AEROSPACE INVENTORY, INC.
ZERENE SERVICES, INC.
JULIO ZERENE
FALCON GROUP CORP. A/K/A FALCON AVIATION GROUP, INC.
JOHN A. FALCO

Effective this date the Air Force has terminated the suspensions and proposed the debarments of Zerene Aerospace Inventory, Inc., Zerene Services, Inc., Julio Zerene, Falcon Group Corp. a/k/a Falcon Aviation Group, Inc., and John A. Falco (collectively, "Subjects") from Government contracting and from directly or indirectly receiving the benefits of Federal assistance programs. The action is initiated pursuant to Federal Acquisition Regulation (FAR) Subpart 9.4.

INFORMATION IN THE RECORD

There is a preponderance of evidence in the record establishing that:

1. Department of Defense ("DoD") contracts require that DoD contractors provide aircraft parts originating from approved manufacturers. In some instances, DoD contracts require that DoD contractors supply new "surplus" aircraft parts which are parts originally released as surplus by the DoD for sale to or within the public sector. Ordering new surplus aircraft parts ensures that the parts have been previously inspected by the DoD or domestic airline inspectors.

2. The Federal Aviation Administration ("FAA"), which is part of the Department of Transportation ("DoT") is charged by statute with regulating aircraft safety in the United States, including the regulation of aircraft repair stations and their employees. Furthermore, an FAA authorized repair station can only perform repairs, certifications, inspections, testing, and overhauls of parts that appear both within its "Rating" and on its "Capabilities List." An FAA repair station's Limited Capability List contains approved aircraft parts listed by both a manufacturer's name and part number.

Relevant Individuals and Companies

3. Zerene Aerospace Inventory, Inc. ("ZAI") was in the business of manufacturing and repairing aircraft parts. ZAI was neither a DoD contractor, nor was it an FAA authorized repair station. ZAI was incorporated in the State of Florida on October 23, 2007. Julio Zerene ("ZERENE") is the owner of ZAI. ZERENE is also the owner of Zerene Services, Inc. ("ZSI") which was incorporated in the State of Florida on March 1, 1999.

4. Best Aviation Sales, Inc. ("BEST") is a DoD supplier of aircraft and other transportation equipment parts for use in several aviation and critical weapons system applications. BEST was incorporated in the State of Illinois on August 1, 1998. William H. Miller ("MILLER") is the president of BEST and owns 100% of BEST's stock. Since its incorporation, BEST has been awarded approximately 5 million dollars in USAF contracts.

5. Falcon Group Corp. a/k/a Falcon Aviation Group, Inc. ("FALCON") is a DoD supplier of aircraft and other transportation equipment parts for use in several aviation and critical weapons system applications. FALCON was incorporated in the State of Florida on December 31, 2007. Since its incorporation, FALCON has been awarded approximately 1.3 million dollars in USAF contracts. John A. Falco ("FALCO") is the president of FALCON and owns 100% of FALCON's stock.

6. The Airborne Group, Inc. ("AIRBORNE") is a DoD supplier of aircraft and other transportation equipment parts for use in several aviation and critical weapons system applications. AIRBORNE was incorporated in the State of Florida on August 9, 2001. Mariella Bianchi ("BIANCHI") is the president of AIRBORNE, and Juan Beltran ("BELTRAN") was the Director of Military Sales. Since its incorporation, AIRBORNE has been awarded approximately 2 million dollars in USAF contracts.

7. McCain Research Lab, Inc. ("MCCAIN LAB") is a Ft. Lauderdale, Florida based FAA Certified Part 145 Repair Station assigned FAA Certificate Number R87R159Y. Willie Lee McCain ("MCCAIN") is the president, account manager, and chief inspector of MCCAIN LAB. MCCAIN's responsibilities include ensuring that technicians and mechanics complete and perform aircraft part repairs, overhauls, and inspections in conformance with specifications, established workmanship standards, and FAA regulations.

Zerene Aerospace Inventory

8. On May 2, 2008, the Department of Transportation-Office of Inspector General ("DoT-OIG") received information that ZERENE, through his business ZAI, was illegally manufacturing aircraft skins, wings, and controlled surfaces for various aircraft including the U.S. Air Force's ("USAF") E-3 Sentry, Airborne Warning and Control System. ZAI was not an approved manufacturer of aircraft parts for either the U.S. Military or the civilian aviation community.

9. Multi-agency investigations revealed that ZERENE did not sell illegally manufactured aircraft parts directly to the USAF, but instead sold to various DoD contractors who conspired with ZERENE to in turn sell the substandard aircraft parts to the USAF. These various DoD contractors included BEST, FALCON, and AIRBORNE.

10. On April 30, 2009, a multi-agency search warrant was executed on ZERENE's businesses in Miami, Florida. Agents discovered three large aviation part manufacturing plants complete with bulk raw materials, expensive tools and machinery necessary for the production of aviation parts, and a large number of aviation parts in various stages of production.

11. Following the search of his businesses, ZERENE admitted in an interview with agents that he was in the business of manufacturing and repairing aircraft parts, including aircraft parts destined for DoD contractors and FAA repair stations for subsequent sale to the DoD. ZERENE admitted that despite the fact he was not licensed or authorized to manufacture *any* aviation parts, he had fabricated numerous parts for various DoD contractors.

12. As a result of the search, numerous documents were seized from ZAI which implicated BEST, FALCON, and AIRBORNE as DoD contractors involved in the conspiracy to sell fraudulent substandard aircraft parts to the DoD. A forensic review of ZERENE's bank accounts revealed that from 2007 to July 2009, ZERENE received nearly 1.5 million dollars in income from the sale of illegally manufactured aircraft parts.

13. On July 22, 2009, ZERENE pled guilty in the U.S. District Court, Southern District of Florida to one count of Fraud Involving Aircraft or Space Vehicles in violation of 18 U.S.C. §38(a)(1)(B). On October 2, 2009, ZERENE was sentenced to 37 months imprisonment and 2 years supervised release, and ordered to pay a fine in the amount of \$100.

Best Aviation Sales, Inc.

14. The April 2009 search of ZAI revealed that ZERENE had illegally manufactured numerous aircraft parts for BEST. Further investigation revealed that in early 2008, MILLER, owner and president of BEST, visited ZAI to verify its production capabilities. ZERENE stated that BEST was aware that he was not a DoD contractor or an FAA authorized repair station. ZERENE acknowledged that in 2008, he had received over \$151,000 from BEST for various illegally fabricated parts.

15. By way of example, in June 2008, BEST was awarded Tinker Air Force Base ("Tinker AFB") contract number FA8112-08-M-D737 in the amount of \$50,875. The contract pertained to the purchase of three different types of aircraft parts, including six Structural Aircraft Panels ("Panels") to be used on the USAF's KC-135 aircraft. The contract required that the Panels be new surplus parts originating from Boeing.

16. Upon delivery of the Panels to Tinker AFB, BEST provided the USAF with documents which detailed the origin of the Panels as coming from ZAI, which had allegedly purchased the Panels from an FAA authorized repair station. The documents further certified the Panels as "new-surplus" and identified the Panels as Boeing part number 5-96297-21 as required by the contract. Investigations revealed, however, that the FAA repair station from which ZAI had allegedly purchased the Panels had administratively dissolved approximately three years prior to the date the Panels were allegedly shipped to ZAI.

17. Thereafter, in December 2008, the Panels were inspected and tested by the USAF's Aerospace Engineers. The testing revealed that the Panels were not manufactured by Boeing. Specifically, the Panels were made of the wrong material and were dimensionally incorrect. Additionally, Boeing's DoD Cage Code was not found on the part's packing as required or on the part itself. Moreover, the dimension errors noted on the Panels would have prevented the parts from being properly installed on USAF aircraft. The tests also revealed that the Panels were newly manufactured, thus conflicting with the USAF's contract requirements that the Panels originate from Boeing as new surplus parts.

18. Following the April 2009 search of his business, ZERENE acknowledged that not only did he illegally fabricate the Panels BEST delivered to Tinker AFB, but also that he falsely certified the Panels as Boeing parts in an attempt to satisfy and fulfill the requirements of the contract awarded to BEST.

19. On August 26, 2009, a multi-agency search warrant executed on BEST's place of business resulted in agents seizing numerous documents and electronic media which contained financial information such as purchase orders, e-mails, and receipts associated with BEST's sale of counterfeit aircraft parts to the USAF. Both the documents seized from BEST and the records obtained from ZAI revealed the names of several companies, including BEST, which had conspired with ZAI to fraudulently sell substandard aircraft parts to the DoD. The multi-agency criminal investigation of BEST and MILLER is ongoing.

Falcon Group Corp.

20. The April 2009 search of ZAI revealed that ZERENE also had illegally fabricated numerous aircraft parts for FALCON. ZERENE stated that since March 2008, he had illegally manufactured or repaired more than 50 aircraft parts for FALCON, and he had received over \$168,000 from FALCON as payment for these fabricated parts.

21. Further investigation revealed that between August 2008 and November 2008, the USAF rejected approximately 50 parts delivered to Tinker AFB by FALCON for various reasons, including lack of proper traceability documentation and manufacturing defects.

22. In July 2009, a multi-agency search warrant executed on FALCON resulted in the seizure of thousands of documents relating to the sale of aviation parts to the USAF. On August 13, 2009, FALCO, president and owner of FALCON, admitted during an interview with investigators that he had paid illegal manufacturers, such as ZAI, to reproduce Boeing parts because illegal manufacturers could reproduce the parts at a much lower price than was otherwise available.

23. FALCO stated that upon winning a USAF contract with Tinker AFB, FALCO would hire and pay ZERENE to quickly fabricate from scratch the Boeing parts required by FALCON's contract with the USAF, despite the fact that FALCO was aware that ZERENE was not authorized to manufacture aircraft parts for either the aviation community or the U.S. Military. Upon completion of the counterfeit parts, FALCO admitted that he would "stamp" the counterfeit parts with Boeing cage codes in order to deceive the military into believing that the illegally manufactured parts were, in fact, Boeing parts. FALCO would then deliver the fraudulent part and required paperwork, including a Certificate of Conformance ("COC") signed by FALCO, to Tinker AFB.

24. When the USAF contract required supporting FAA authentication documents, FALCO obtained certifications for the illegally manufactured parts from an FAA repair station which falsely certified that the parts were "new surplus" when in fact they were not. Further investigation revealed that MCCAIN LAB was the FAA repair station which provided FALCO with these false certifications.

25. On November 13, 2009, FALCO pled guilty in the U.S. District Court, Southern District of Florida to one count of Fraud Involving Aircraft Parts in violation of Title 18, U.S.C. §38. On February 9, 2010, FALCO was sentenced to 37 months imprisonment and 3 years supervised release, and ordered to pay a fine in the amount of \$100 and restitution to the Air Force in the amount of \$1.3 million.

McCain Research Lab, Inc.

26. The July 9, 2009, search warrant executed on FALCON revealed that MCCAIN, as owner of MCCAIN LAB, had certified numerous aircraft parts supplied to the USAF by FALCON. Further investigations revealed that MCCAIN LAB was not legally authorized to inspect and certify the parts supplied by FALCON.

27. As an FAA repair station, MCCAIN LAB is only authorized to perform repairs, certifications, inspections, testing, and overhauls of items that appear both within its "Rating" and on its "Capabilities List." An FAA repair station's Limited Capability List ("List") contains approved aircraft parts listed by both a manufacturer's name and part number.

28. FAA Form 8130-3 ("Form 8130-3"), commonly referred to as an "Airworthiness Approval Tag" or an "Authorized Release Certificate," is a document required by the FAA that is used in the aviation industry to verify that an aircraft part is airworthy and fit for installation on an aircraft. Commercial airliners and others in the aviation industry rely on Form 8130-3 as evidence that aircraft parts are approved for return to service. Additionally, airlines and the FAA

paperwork was then forwarded, along with the counterfeit parts, to the USAF in an attempt to satisfy and fulfill the requirements of the awarded contracts.

36. In a July 8, 2009 interview with agents, BIANCHI and BELTRAN disclosed that they knowingly misrepresented the condition and origin of aircraft parts sold to the USAF. They further identified ZAI as one of the manufacturers used to supply the fabricated parts.

37. On January 5, 2010, BIANCHI and BELTRAN were indicted in the U.S. District Court, Southern District of Florida on one count of Conspiracy to Commit Aircraft Parts Fraud in violation of 18 U.S.C. § 38(a)(3) and eight counts of Aircraft Parts Fraud in violation of 18 U.S.C. § 38(a)(1)(A).

BASES FOR THE PROPOSED DEBARMENTS

Julio Zerene, Zerene Aerospace Inventory, Inc., and Zerene Services, Inc.

1. ZERENE's conviction in the Southern District of Florida provides a separate independent basis for his debarment pursuant to FAR 9.406-2(a)(1), (3), and (5).
2. The improper conduct of ZAI and ZERENE is of so serious or compelling a nature that it affects their present responsibility to be Government contractors or subcontractors and provides a separate independent basis for each of their debarments pursuant to FAR 9.406-2(c).
3. Pursuant to FAR 9.406-5(a), the seriously improper conduct of ZERENE is imputed to ZAI, because his seriously improper conduct occurred in connection with the performance of his duties for or on behalf of ZAI, or with the knowledge, approval, or acquiescence of ZAI. The imputation of ZERENE's conduct provides a separate independent basis for the debarment of ZAI.
4. Pursuant to FAR 9.406-5(b), the seriously improper conduct of ZAI is imputed to ZERENE because as an officer, director, shareholder, partner, employee or other person associated with ZAI, he knew or had reason to know of ZAI's seriously improper conduct. The imputation of ZAI's seriously improper conduct to ZERENE provides a separate independent basis for his debarment.
5. Pursuant to FAR 9.406-1(b), debarments may be extended to the affiliates of a contractor. ZERENE and ZAI are affiliates, as defined at FAR 9.403 (Affiliates), because directly or indirectly, ZERENE has power to control ZAI. The affiliation of ZERENE and ZAI provides a separate independent basis for each of their debarments.

6. Pursuant to FAR 9.406-1(b), debarments may be extended to the affiliates of a contractor. ZERENE and ZSI are affiliates, as defined at FAR 9.403 (Affiliates), because directly or indirectly, ZERENE has power to control ZSI. The affiliation of ZERENE and ZSI provides a separate independent basis for the debarment of ZSI.

John A. Falco and Falcon Group Corp.

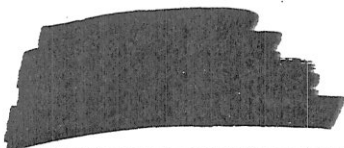
7. FALCO's conviction in the Southern District of Florida provides a separate independent basis for his debarment pursuant to FAR 9.406-2(a)(1), (3), and (5).

8. The improper conduct of FALCO and FALCON is of so serious or compelling a nature that it affects their present responsibility to be Government contractors or subcontractors and provides a separate independent basis for each of their debarments pursuant to FAR 9.406-2(c).

9. Pursuant to FAR 9.406-5(a), the seriously improper conduct of FALCO is imputed to FALCON, because his seriously improper conduct occurred in connection with the performance of his duties for or on behalf of FALCON, or with the knowledge, approval, or acquiescence of FALCON. The imputation of FALCO's conduct provides a separate independent basis for the debarment of FALCON.

10. Pursuant to FAR 9.406-5(b), the seriously improper conduct of FALCON is imputed to FALCO because as an officer, director, shareholder, partner, employee or other person associated with FALCON, he knew or had reason to know of FALCON's seriously improper conduct. The imputation of FALCON's seriously improper conduct to FALCO provides a separate independent basis for his debarment.

11. Pursuant to FAR 9.406-1(b), debarments may be extended to the affiliates of a contractor. FALCO and FALCON are affiliates, as defined at FAR 9.403 (Affiliates), because directly or indirectly, FALCO has power to control FALCON. The affiliation of FALCO and FALCON provides a separate independent basis for each of their debarments.



STEVEN A. SHAW
Deputy General Counsel
(Contractor Responsibility)